

Message Text

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PAGE 01 SAN SA 03437 281534Z

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SUBJ: MAJOR PROJECT: COMALAPA AIRPORT

REF: STATE 174519(NOTAL) SAN SALVADOR 2759(NOTAL)

1 DESPITE EARLIER APPROACHES TO EMBASSY ASKINGFOR U.S. COMMERCIAL ASSISTANCE, CEPA (NATIONAL PORT AUTHORITY, ALSO COVERING RAILROADS AND AIRPORT) HAS APPARENTLY ALL BUT SIGNED LOAN DOCUMENTS FOR A 5.0 BILLION YEN TIED JAPANESE LOAN (20 YEARS, 7 YEARS GRACE, 4.5 PERCENT) WHICH WILL COVER ENGINEERING, DESIGN AND EQUIPMENT WITH 10 PERCENT AVAILABLE FOR LOCAL COSTS. THESE YEN, WORTH \$18.5 MILLION REPRESENT ABOUT 50 PERCENT OF TOTAL PROJECT AS PRESENTED BY JAPANESE. REMAINING 50 PERCENT IS TO BE FINANCED, PROBABLY EXTERNALLY, BY GOES. UNCONFIRMED REPORTS SAY THAT GOES HAS FOUND LONG TERM MONEY, POSSIBLY IN US, FOR 8.25 PERCENT.

2. IF JAPANESE LOAN ACCEPTED, MAIN UNTIED OPPORTUNITIES WILL BE FOR ESTIMATED \$15 MILLION IN CIVIL WORKS AND POSSIBLY INDEPENDENT ADVISORY SERVICES TO CEPA. UNDP HAS BEEN ACTIVELY PURSUING OFFER TO PROVIDE TECHNICAL ADVICE TO CEPA, AND MEXICAN GOVERNMENT IS REPORTEDLY DOING OVERALL MASTER PLAN FOR PROJECT. REMAINING MAJOR SEGMENT, A NEW ESTIMATED \$20 MILLION HIGHWAY FROM SAN SALVADOR TO AIRPORT IS BEING INITIALLY DESIGNED BY GOES MINISTRY OF PUBLIC WORKS.

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PAGE 02 SAN SA 03437 281534Z

3. SEVERAL U.S. FIRMS HAVE TAKEN ACTIVE INTEREST IN AIRPORT PROJECT. JOHNSON OF GENERAL AIRPORT DEVELOPMENT COMPANY VISITED RECENTLY WITH CHAIRMAN, NATIONAL PLANNING COUNCIL AND VEPA MANAGERS AND OFFERED TURN-KEY PROJECT INCLUDING FEASIBILITY DESIGN, CONSTRUCTION AND TRAINING FOR ABOUT \$20 MILLION ON COMMERCIAL TERMS. JOHNSON REPORTEDLY CONCURS WITH SUSPICIONS THAT JAPANESE PROJECT IS EXCESSIVELY COSTLY.

4. MUCC-STEWART CO., DESCRIBED AS A SUBSIDIARY OF INTER-NATIONAL FINANCIAL TRANSCATORS, 185 MADISON AVENUE, NEW YORK, NEW YORK, HAS OFFERED TO FINANCE GOES PORTION AT 6 PERCENT, 15 YEARS NO GRACE, AND CABEI HAS REPORTEDLY OFFERED 8 PERCENT MONEY TO COVER UP TO 70 PERCENT OF GOES COSTS ABOUT \$14 MILLION. CEPA IS DUBIOUS
OF MUCC-STEWART BONFA-FIDES

5. JOHNSON COMMENTS (SEE PARA. 3) REINFORCE OUR SUSPICIONS THAT, AT BEST, GOES IS EMBARKING ON AN AIRPORT PROJECT LARGER THAN NEEDED TO SERVE ITS INTERNAL MARKET. IN ANY EVENT JAPANESE NOW HAVE INSIDE TRACK ON ENGINEERING AND QUIPMENT. HOWEVER, CIVIL WORKS AT AIRPORT AND CONSTRUCTION OF ACCESS ROAD MAY STILL OFFER SOME MAJOR OPPORTUNITIES FOR U.S. FIRMS. MOSKOWITZ

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